

THE DEPARTMENT FOR INTERNATIONAL DEVELOPMENT

The Department for International Development (DFID) is the British government department responsible for promoting development and the reduction of poverty. The government elected in May 1997 increased its commitment to development by strengthening the department and increasing its budget.

The policy of the government was set out in the White Paper on International Development, published in November 1997. The central focus of the policy is a commitment to the internationally agreed target to halve the proportion of people living in extreme poverty by 2015, together with the associated targets including basic health care provision and universal access to primary education by the same date.

DFID seeks to work in partnership with governments which are committed to the international targets, and seeks to work with business, civil society and the research community to encourage progress which will help reduce poverty. We also work with multilateral institutions including the World Bank, UN agencies and the European Commission. The bulk of our assistance is concentrated on the poorest countries in Asia and Sub-Saharan Africa.

We are also contributing to poverty elimination and sustainable development in middle income countries, and helping the transition countries in Central and Eastern Europe to try to ensure that the widest number of people benefit from the process of change.

As well as its headquarters in London and East Kilbride, DFID has offices in New Delhi, Bangkok, Nairobi, Harare, Pretoria, Dhaka, Suva and Bridgetown. In other parts of the world, DFID works through staff based in British embassies and high commissions.

COUNTRY STRATEGY PAPERS

Country Strategy Papers (CSPs) are prepared for all countries where we provide development assistance programmes, and are normally produced every three years. CSPs set out how we aim to contribute to achieving the international development targets in the country in question. Progress will be assessed against the strategic objectives set out in Section E of the paper. In preparing CSPs, we consult closely with governments, business, civil society, and others within both the partner country and the UK.

**Department for International Development
November 1998**

BANGLADESH: COUNTRY STRATEGY PAPER 1998

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A. SUMMARY

A1. Bangladesh has made progress, though only slowly, in reducing the incidence of poverty in terms of income and has achieved significant improvements in some social indicators. Progress has been helped by strong Bangladeshi non-governmental organisations (NGOs) as well as by external assistance. But poverty overall remains high and many social indicators are still unsatisfactory. It will be a major challenge for Bangladesh to achieve further and faster progress in reducing poverty, but there is the potential to achieve, at least, the international development targets.

A2. Poor governance and weak institutions are the most important development constraints. A dominant elite, spanning politics, business and government, does not serve the national interest well, let alone the needs of the poor. More accountable and effective government is needed for accelerated poverty elimination and as a basis for a more effective national partnership between DFID and the Government of Bangladesh on poverty elimination. There are, however, worthwhile partnership opportunities with the Government at sector and project level in support of poverty elimination, as well as with NGOs, other parts of civil society and possibly the business community.

A3. Bangladesh's size, poverty and UK links argue for a major development assistance programme to the extent that it can be effective. The record shows that it is possible to have worthwhile partnerships and impact but suggests that careful targeting and acceptance of long time-frames will often be needed to make a sustainable impact.

A4. The Country Strategy will seek to achieve a consistent and effective contribution to poverty elimination in partnership with other stakeholders. We will seek to enhance livelihoods and basic services for the poor, with a particular concern for the poorest, and will promote faster pro-poor growth. Underpinning these objectives, we will seek to promote better governance, more effective institutions and improved realisation of human rights, particularly for women. We will also seek to ensure that wider UK Government and Bangladeshi Government policies consistently support poverty elimination.

B. THE CHALLENGE

B1. The elimination of poverty is the key development issue in Bangladesh. Around half Bangladesh's 125 million people are poor, as measured by calorie intake or cost of basic needs approaches, with lack of education and access to land being key determinants, and over half of these are in extreme poverty. An additional 20% are on the margins of poverty and at risk of being reduced to below the threshold by personal, environmental or institutional shocks. Women are disproportionately affected, with 95% of female-headed households in poverty.

B2. The Bangladeshi Government's commitment to eliminating poverty is undermined by the lack of an overall strategy and institutional focus to make it effective in the face of numerous constraints and vested interests. Nevertheless, Bangladesh has progressed, with the incidence of poverty falling; albeit this has been only marginal and the absolute numbers of people in poverty continue to rise. Economic stability has been maintained and growth has averaged 4-5% per annum during the current decade, accelerating to 5-6% in the last three years. This has been encouraged by liberalisation of trade, investment and exchange regimes, although the pace of change has slowed and major reforms (notably in the financial and state-owned enterprise sectors and related to trade and the budget) remain undone. The garments industry has achieved dramatic export growth. But economic stability is fragile with insufficient foreign exchange reserves, a narrow export base and weak revenue performance. Too much of the budget goes to finance untargeted subsidies and the investment projects and losses of poorly managed state-owned enterprises, and too little benefits the poor. Military expenditure is a substantial and increasing burden which, though lower than neighbouring countries, appears disproportionate to need. The weakness of the financial sector, burdened by politicised lending and poor governance, threatens future stability, notwithstanding the limited direct impact of the regional economic crisis.

B3. There have been impressive gains in some social indicators, notably in fertility reduction, primary education enrolment (including equivalence between girls and boys), child mortality and the availability of drinking water. There has also been a sustained rise in food production at a faster

rate than population growth, and while access to land is uneven, with a substantial and growing proportion of landless, it is less so than many other developing countries. Overall, Bangladesh has made progress against many of the high level international development targets, including the incidence of poverty, the level and gender balance of primary education enrolment, child mortality and access to reproductive health services.

B4. Many successes in the social sectors are however qualified. Primary education expansion has not been accompanied by much-needed quality improvements and overall literacy is only 43% (26% for women). There remain significant gaps in reproductive health services and impact, with high maternal mortality and worries about prospects for sustaining and continuing the decline in fertility. Poor nutrition is a major continuing problem, with two-thirds of under-fives malnourished. Poverty underlies the high level of child labour, caused by the need to supplement meagre household incomes or by children losing their parents.

B5. There has been progress on the position of women but much more needs to be done, especially for poor women. Encouraged by employment and micro-credit opportunities and by some NGOs, women are beginning to overcome traditional constraints on public participation, including in the political process, and the Government has approved a plan for further action. Despite these positive developments and equality provisions in the constitution, gender inequalities are still substantial and deeply rooted.

B6. Current development programmes are inadequate to reach the extreme poor or address aspects of vulnerability. A more detailed understanding of poverty is needed if more effective programmes are to be developed. These need to take account of wider dimensions of poverty such as illiteracy, lack of access to resources, social deprivation and vulnerability to disasters, sickness and other external shocks, including for those slightly above the poverty line. With most of Bangladesh less than six metres above sea level, unstable rivers and annual risks of cyclones and other severe weather, disasters are a regular hazard for the poor. Preparedness for disasters, and coping with their effects, has improved but more is needed.

B. THE CHALLENGE

CONTINUED

B7. Bangladesh faces considerable environmental challenges, which threaten to make poverty elimination even more difficult. Apart from the potential impact of global warming on coastal flooding and salination, population pressures will intensify already serious environmental problems. Even on optimistic forecasts of fertility, Bangladesh's population will double before stabilising. This will further intensify land use and accelerate urbanisation, adding significantly to already evident environmental pressures. Bangladesh has produced a National Environmental Management Action Plan (NEMAP), through a process which included a welcome degree of participation from outside government, but the commitment and capacity of the Government to follow this up effectively is uncertain.

B8. The key constraints on development in Bangladesh are poor governance and weak institutions (Box 1). This is to the particular detriment of the poor, who are least able to demand their rights or avoid and afford pressures for illegal payments. There are some encouraging points: for all its

imperfections, democracy is slowly developing, with military intervention seeming increasingly less likely; participation, especially of women, in the political process is growing; and a settlement has been reached of the long-running dispute in the Chittagong Hill Tracts. Nevertheless major reforms are needed if progress on poverty elimination is not to be seriously constrained. The Government has not yet demonstrated the political commitment to such reforms. A partial exception is the introduction of more democratically accountable local government; here, some progress has been made but more attention will need to be paid to financial and administrative issues if reforms are to be made effective.

B9. There are weaknesses in private sector and NGO governance and also, for example, in the lending operations of private banks. In the case of some NGOs, there is insufficient transparency on their use of resources provided for service delivery. It is also not always clear how representative NGOs engaged in advocacy and awareness-raising activities really are.

BOX 1

GOVERNANCE AND INSTITUTIONAL ISSUES IN BANGLADESH

This paper makes frequent reference to the central importance of governance and institutional issues to poverty elimination in Bangladesh. The key issues are:

- the dominance of a small elite in politics, business and government;
- a fragile democracy, with a fractious political process driven more by personal and inter-party rivalry than by issues, including elimination of poverty;
- despite widening political participation, the lack of effective representation of the interests of the poor;
- politically-sponsored violence, especially at local level;
- extensive patronage, ie use of power to bestow benefits on individuals and interests linked to those in authority improperly;
- insufficient information, or transparency, to enable the actions of ministers and civil servants to be scrutinised effectively;
- limited accountability of those in authority for performance and for how they use public funds;
- widespread corruption, with bribes often required to do business or to obtain even basic services such as health care;
- poorly performing institutions, which often offer little or no service, are an obstacle rather than an aid to development and which act arbitrarily, especially in relation to the poor.

B. THE CHALLENGE

CONTINUED

B10. Greater realisation of the full range of human rights is another key element of, and prerequisite for, the elimination of poverty. Human rights performance is variable, with commitments expressed in the constitution and legislation outstripping real performance, especially for the poor. The Government could do more to seek to meet the economic and social rights outlined in the Universal Declaration of Human Rights. Civil and political rights are also frequently infringed. Abuse of power by officials, police and local elites or gangsters (mastaans) causes insecurity and exploitation. Violence against women is regularly reported.

B11. Bangladesh receives significant flows of aid, currently running at around \$1.5 billion per annum (\$12 per head). Aid dependence has however fallen; aid finances 45% of the development budget compared to 85% a decade ago. The World Bank (IDA), Asian Development Bank (ADB) and Japan are much the largest development partners, together accounting for over 60% of total assistance. While the IDA and the ADB would be prepared to provide additional assistance if the Government was able to propose and implement appropriate projects more rapidly, many other agencies face financial constraints.

B12. Bangladesh has had some success in attracting foreign investment to its export processing zones, but overall levels of foreign investment other than in energy have remained disappointing. Bangladesh offers advantages in terms of low labour costs and access to markets as a least developed country. Concerns about stability, governance and lack of infrastructure are, however, significant constraints while the inexpensiveness of labour is offset by low literacy, skill and productivity levels.

B13. Bangladesh has mixed prospects. On the positive side are the energy and enterprise of its people, the prospect of important, but not decisive, revenues from exploiting substantial gas reserves and greater openness to private investment. The achievement, despite an often unfavourable environment, of significant gains in key development indicators and elements of social change, demonstrates that progress in the elimination of poverty can be achieved. Offsetting these advantages are the pressures of an increasing population in an already overcrowded

environment, threats to the competitiveness of garments exports, loss of trade preferences after 2005 and, above all, the continuing problems of governance.

B14. If poverty is to be reduced in Bangladesh, it is necessary that the poor themselves become a stronger voice in society, not only through intermediaries such as NGOs but also more directly, in order to counter the influence of existing elites. The influence of donors and other external players is not enough and clearly cannot be a substitute for the voice of the people of Bangladesh. In part, change is coming through the impact of such initiatives as wider education, micro-credit and employment of women. These trends need to be reinforced by further development of institutions within civil society to give effective voice to the perspectives of the poor and others who feel marginalised by the political impasse. This would help strengthen pressure from within Bangladesh for reform and for attainment of human rights.

C. PARTNERSHIPS

C1. Bangladesh is an obvious priority for partnership. It is very poor, has strong UK links and relations are good. Despite weaknesses in governance and government effectiveness, there has been significant progress on the international development targets. More should have been achieved but development efforts have delivered tangible results.

C2. Given that DFID accounts for only around 5% of aid to Bangladesh, most dialogue on major issues with the Government is best conducted alongside other development partners. Annual meetings between the Government and official partners, supplemented by meetings of the Local Consultations Group (LCG) in Dhaka, provide opportunities for high level dialogue. Around twenty sub-groups of the LCG cover sectoral or cross-cutting issues; DFID Bangladesh chairs the sub-groups on education and fisheries and participates in many others. All this provides a good framework for dialogue, though it would be strengthened by greater government participation in some sub-groups.

C3. There are however major obstacles to building as strong and effective a partnership with government as we would like. The Government has clearly stated its commitment to the elimination of poverty, as summarised in its slogan of "growth with social justice", and to progress in many of the specific priority areas contained in the international development targets. However this rhetoric is mostly not translated into real commitment in the sense of timely decisions and implementation, for example on pursuing loan defaulters in the finance sector or reforming the civil service, due to the pressure of vested interests and the limited effectiveness of the public service.

C4. There has been substantial agreement between development partners and successive governments on a development agenda, but implementation in recent years has been very slow. This has accentuated a tendency, born of development partners' desire to accelerate growth and poverty elimination, for the process to be too much led by them. To be more effective, future dialogue needs stronger government leadership and more convincing ownership by it of the reform agenda, but this requires greater internal pressures for better performance and governance.

C5. The prospects in the short term for fully effective partnership at national level between DFID and the Government, as envisaged in the White Paper, appear limited for want of effective government commitment to achieve the elimination of poverty and undertake reforms needed to achieve it. Prospects appear more promising however in some sectors. Though sector progress is constrained so long as system-wide issues such as management of the civil service, accountability and corruption are not effectively addressed, there are opportunities in particular areas, as discussed in Section E. Meanwhile we will continue to work with the Government and civil society, in conjunction with other development partners, on developing an environment within which more effective national partnership might be achieved.

C6. The strong Bangladeshi NGO sector forms a second important set of partners with a key role in providing poverty-focused services, demonstrating innovations and improved levels of performance and, with some NGOs, helping the poor to have more of a voice. There is scope for continued and additional partnerships, in the case of larger NGOs jointly with other donors. These should be based on a similar commitment to openness and accountability as we seek from the Government and should as far as possible be designed in the context of national strategies for poverty elimination and encourage closer NGO-government co-ordination. This approach will help address the lack of financial sustainability of many NGO programmes which largely depend on external financing. More work is needed to develop mechanisms for partnership with smaller NGOs and other civil society institutions working on key poverty, governance and empowerment issues, especially so given the inevitable lessening of local responsiveness among NGOs as the scale of their activities increases.

C7. UK NGOs, which are much smaller than the main national Bangladeshi NGOs, are also potential partners for DFID. Regular meetings with them have recently been instituted to promote exchanges of views and mutual learning. The main contribution such NGOs can make in Bangladesh is in supporting smaller Bangladeshi NGOs through funding and institutional strengthening, including facilitating access to wider international experience and

C. PARTNERSHIPS

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networks on development and rights issues. They can also be a source of innovation or fill gaps in Bangladeshi NGO capacity.

C8. Hitherto there has been little partnership with the private sector, either Bangladeshi or British. We have undertaken a strategy review on promoting private sector development, very much in consultation with the Bangladeshi private sector. There is also regular dialogue with British business on economic conditions and prospects and occasional dialogue with British Bangladeshi business. There appears to be scope to identify and build on areas of common interest with the private sector, while recognising the distinct roles of DFID and of business. Possible areas include dialogue on how the Government might encourage increased investment; collaborative efforts on socially responsible business, such as eliminating child labour and improving labour conditions, and on skills shortages and the environment; and promotion of stronger partnerships and dialogue between the private sector, government and NGOs.

C9. Bangladesh has a significant range of research institutions with capacity on development issues. There is also considerable interest in Bangladesh among British academics. Contacts with these institutions and individuals have mainly related to commissioned research and consultancies. They are however a potential resource for more systematic dialogue and learning about development issues and opportunities and avenues for change; the same is true for elements of the media.

C10. The British Bangladeshi community offers potential partnership opportunities but we must avoid over-concentration on the Sylhet area, the area of origin of most of the community. Contacts are often mediated through UK local authorities with significant British Bangladeshi communities but also through community or business groups. We will encourage such interest and support, trying to help ensure it is targeted on the needs and priorities of the poor throughout Bangladesh.

C11. DFID works closely with other donors in Bangladesh. Apart from active participation in the Local Consultations Group process (see C2), many of the main projects and

programmes which we support also involve other development partners in joint or parallel financing. Partners include the World Bank, Asian Development Bank, European Commission and the United Nations Children's Fund (UNICEF), as well as many of the bilateral agencies. Because of our resident expertise, we are able to play a more active and influential role than more centralised agencies and are sometimes able to provide information and advice to them. Where agencies are more centralised, however, there is also a need for greater access and dialogue at headquarters level.

C12. There is therefore plenty of scope for strengthening partnerships with different institutions even though the immediate potential is not always as much as we would like. In all these partnerships, but especially with those that are Bangladeshi, important characteristics need to be a long term approach, maximum continuity, adopting an approach which is open to learning as well as influencing and trying to understand the motivation and incentives of partners. Strengthening partnerships will continue to be an important objective of many projects, with institutional development as a key means of facilitating the development of capacity to set policies which target the poor, to deliver services effectively and to provide appropriate regulation.

D. CURRENT UK DEVELOPMENT PORTFOLIO

D1. The current programme has focused on poverty reduction and strengthening governance and institutions. An objective of at least 50% of projects having as a primary objective a direct impact on poverty has been achieved as has the emphasis on institutional strengthening. We have worked with both the Government and NGOs, promoting co-operation between them. NGO programmes have moved ahead faster than those with the Government. The latter were constrained in 1995-96 by political unrest and subsequently by the slowness of the Government.

D2. Around half the programme now goes on human development, mainly health and population, micro-credit and primary education. A further 15% supports improved livelihoods, mainly for the poor, in agriculture and fisheries. The balance goes to infrastructure, public administration and governance, with support to disaster relief and rehabilitation programmes as needed. Much of the programme involves co-financing, helping enhance the impact of the programme through partnership with other agencies as well as the Government or NGOs. Considerable time has been invested in donor consortia and other forms of dialogue at national and sector levels.

D3. DFID has contributed, along with other donors and Bangladesh itself, to progress towards the elimination of poverty. Project completion report data, mostly covering projects started before the current Country Strategy Paper, show that 65% of projects wholly or largely met their objectives, with the remaining 35% partially achieving them. Data on the performance of current projects suggest a broadly similar but slightly less positive pattern, reflecting the programme's greater emphasis on difficult institutional issues. Common themes in these reviews include the importance of institutional issues; delays and difficulties in relation to government resources, decisions and commitment; the greater poverty focus achieved through NGOs, but concerns about sustainability and links to government programmes; and the importance of the consultancy skills, as well as technical expertise, of any external personnel.

D4. The impact of our support for the Government in health and population has been mixed. We have helped the Government develop its plans for future strategy and institutional reform, have supported the development of health economics and have enabled NGOs to develop and strengthen services for the poor, notably in reproductive health and HIIV/AIDS. Some other efforts to support strengthening of government institutions have however had limited impact, largely for lack of local commitment.

D5. We have also supported NGO programmes in basic education, with a strong focus on the poor and on girls. Enrolment, retention and completion rates in these programmes are significantly higher than in government schools. There is also evidence of better education outcomes. After much delay, we are about to start a key institutional strengthening project supporting the Government's Primary Education Development Programme.

D6. Other areas where our support has had a worthwhile impact include the field effectiveness of agricultural extension, through both government and NGOs; fisheries applied research, extension and training; helping the Government develop improved systems of budgeting and financial control which, over time, will provide the basis for improved financial management; slower, but still worthwhile, impact on planning and management of road rehabilitation and management; and further development of micro-credit.

D7. There have been disappointments, perhaps the main one being in the power sector where it has not proved possible to agree an acceptable basis for further support to electricity distribution in Dhaka, due to lack of government commitment to tackle problems of corruption and poor management. We have also achieved less than we hoped in economic and administrative reform, primarily for lack of government reform programmes to support.

D. CURRENT UK DEVELOPMENT PORTFOLIO

CONTINUED

D8. DFID's strong local presence has often helped the UK play an influential role among donors and with Bangladeshi institutions, for example in health and some of the large NGO programmes. More widely, the UK has used its diplomatic influence to promote political stability, supported by modest assistance for exchanges and study visits. Economic policy reform has however largely been the province of the World Bank, IMF and Asian Development Bank, while the national environmental agenda has been covered by other development partners.

D9. The Commonwealth Development Corporation (CDC) is active in Bangladesh, and is seeking new opportunities to promote growth and employment by encouraging private investment. The British Council has also supported DFID Bangladesh's objectives through its grant-in-aid.

E. FUTURE UK DEVELOPMENT STRATEGY

E1. The long-term objective of the UK's development strategy is to help Bangladesh to achieve sustainable reductions in poverty, in order to move towards the long-term aim of eliminating poverty at least within the time frames of the international development targets. The immediate purpose of the strategy is to make a consistent and effective contribution to poverty elimination in partnership with other stakeholders, both Bangladeshi and external, both by direct interventions on poverty and by supporting more rapid economic growth. Box 2 sets out more detailed objectives. Implementation will involve the development assistance programme itself; more explicit strategies for networking and dialogue within Bangladesh by DFID Bangladesh and the High Commission as a whole; and, in harness with DFID centrally, efforts to ensure that the UK Government's policies as a whole support poverty elimination in Bangladesh.

E2. These thematic objectives will be pursued through a range of sectoral and inter-sectoral initiatives, some of which will serve more than one objective, for example gender as well as poverty reduction. We will appoint an individual within DFID Bangladesh to take responsibility for each objective to ensure that focus on them is maintained.

BOX 2

DFID BANGLADESH COUNTRY STRATEGY: KEY OBJECTIVES

The new strategy contains six thematic objectives which will provide the framework for decisions on detailed priorities and for subsequent accountability for the impact of our programme. During the strategy period we will aim to make an impact on:

- 1 Sustainable improvements in livelihoods and basic services for the poor, extreme poor and those vulnerable to poverty;
- 2 Sustainable, broad-based and pro-poor growth;
- 3 Better governance and more effective institutions;
- 4 Improved realisation of human rights;
- 5 Improvements in the position of women in society;
- 6 Consistency in DFID and broader UK and Bangladeshi Government policies in support of the elimination of poverty in Bangladesh.

OVERALL APPROACH TO ACHIEVING OBJECTIVES

E3. We will concentrate efforts where we believe we can be most effective. This will be where we can draw on the strengths of our in-country presence, our capacity to support policy and institutional change through responsive and flexible assistance, the availability of grant funding and the fact that we have the potential for increased assistance in support of poverty elimination.

E4. We will develop closer and transparent partnerships and adopt more explicit strategies for enhancing dialogue and adding value to wider development efforts. We will also more actively seek to learn from outside ideas and perspectives in order to strengthen our understanding of needs and opportunities in Bangladesh.

E5. We will actively support the Bangladesh Development Forum, the Local Consultations Group process and other mechanisms for co-ordinated dialogue between development partners and the Government, taking advantage of our in-country team. We will promote greater emphasis on the elimination of poverty in the context of the

E. FUTURE UK DEVELOPMENT STRATEGY

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international development targets. We will work closely with other development partners, through co-financing and shared dialogue, to maximise impact. We will take a particular interest in those agencies to which the UK is a significant contributor, notably the EC, or which have the most substantial country programmes.

E6. While looking to work with a wider range of partners, our primary development partner will remain the Bangladeshi Government insofar as constraints on their effectiveness can be overcome. Apart from providing an enabling policy, institutional and regulatory environment, the Government will remain either a key provider or purchaser of services essential to the interests of the poor. Greater effectiveness in these roles requires increased accountability, commitment to improved performance and responsiveness to the public. Such changes are likely to take time and largely depend on Bangladesh's own efforts. We will nevertheless look for additional opportunities to support those within government and outside advocating and introducing change, such as NGOs seeking to empower the poor or combat corruption. We will focus our programme where there is commitment, recognising that partnerships will need to be long-term. On our side, we will try to maximise transparency in our programme and continue regular bilateral dialogue with the Government on programme issues.

E7. Where possible we will support and promote coherent and comprehensive pro-poor government sector strategies. We will encourage government-NGO-private sector partnerships, as planned in health, to develop and implement truly national strategies and programmes. We will assist Bangladeshi partners to develop the systems, skills and approaches to support a more equal and sustainable partnership based on a local vision of strategies for poverty elimination. Where justified by demonstrated commitment and adequate management systems, we will be prepared to consider supporting government-led reform through budget financing and will work towards harmonising procedures to minimise their load on the Government and NGOs.

E8. We will continue to support Bangladeshi NGOs to develop livelihood opportunities and services which focus on the poor, demonstrate improved performance and test innovations. We will also support NGO and other civil society efforts to represent the poor and, still more, to facilitate them to represent their own rights and interests in national and local settings. We will expect, and where possible help, NGOs to be transparent and accountable, not just to financiers but also to those whose interests they seek to represent. We will continue to work with UK NGOs where they can add value to locally-available capacity, whether through filling current gaps in implementation capacity or supporting and sustainably strengthening smaller local NGOs.

E9. We will seek stronger partnerships with the business sector, both British and Bangladeshi, on a selective basis, avoiding excessive calls on our time or that of business. We will enhance dialogue using existing fora, such as the High Commission's regular meetings with UK business, contacts with Bangladeshi business associations and other local networks. We will encourage business advocacy of appropriate policies and reforms. We will also explore potential partnership in project design work across the programme and by actively seeking private sector involvement in specific areas where this seems likely to help meet our developmental objectives; possible examples are in improving vocational training and promoting better employment conditions or the elimination of child labour.

E10. We will help develop more disaggregated analysis of the nature and causes of poverty, where necessary undertaking more structured and participatory analysis of poverty in the sectors in which assistance is being considered in order to understand more fully the needs of the poor, especially the extreme poor, and respond more effectively to them. We will also promote a greater exchange of ideas and experience on poverty issues with Bangladeshi institutions and individuals through research, seminars and other contacts. We will seek to ensure that centrally-funded research related to Bangladesh is relevant and opportunities for synergy with the country programme are maximised.

E. FUTURE UK DEVELOPMENT STRATEGY

CONTINUED

Eii. We will monitor the relevance of our overall use of resources to Bangladesh's achievement of the international development targets as well as Bangladesh's progress towards them. Project level indicators will include some which help us monitor the effectiveness of their contribution to these targets as well as to our own thematic objectives.

Theme 1: Sustainable improvements in livelihoods and basic services for the poor, extreme poor and those vulnerable to poverty

Ei2. A substantial percentage of projects and programmes will have better livelihoods, services and coping capacities for poor men, women and children as the immediate focus, with major sector-wide initiatives also having a strong emphasis on poverty issues. As it is often difficult to reach the extreme poor through wider pro-poor programmes, we will ensure an increased emphasis in the programme on their needs, in part through developing partnerships to develop a portfolio of projects specifically for their benefit. We will also help reduce the vulnerability of those on the margins of poverty to external shocks, including natural disasters, which might threaten to reduce them to below the poverty line. Where appropriate, projects will take account of the regular incidence of natural disasters and their impact on the poor. We will encourage the participation of poor men and women in the planning, implementation and monitoring of programmes intended to meet their needs.

Ei3. In the first year of this Country Strategy Paper we will make special efforts to identify projects to promote rehabilitation and development in the Chittagong Hill Tracts (CHT), recognising the relative neglect brought about by past insecurity and the need to back up the political settlement with tangible development benefits. Programmes will need to reflect the needs of all peoples in the CHT, especially the poorest.

Ei4. Where possible we will adopt a sector-wide approach, which seeks to ensure that government, other Bangladeshi institutions and donors all work together within the same overall national strategy, developed and led by the Bangladeshi Government. Within this approach, such as in

health and population and in primary education, we will give particular emphasis to enhancing the quality of services and access for the poor. Alongside these, we will continue to support NGO programmes targeted more directly on the needs of the poor, while promoting closer co-ordination between the Government, NGOs and the private sector. Where sector approaches are not feasible, we will support projects with the Government or other partners insofar as they address key poverty issues and/or help develop conditions for closer partnership in the future.

Ei5. The cornerstone of our approach in health and population is already largely in place through a recently-approved project. This will support a government sector programme designed to improve service access and utilisation among the poor, particularly women and children. It will attempt to be a truly national programme through more effective co-ordination of the efforts of the Government, NGOs and the private sector. We shall complement this with additional NGO projects, consistent with the government sector framework, in critical areas where they have a clear additional role, such as possible projects to combat HIV/AIDS and aspects of poverty-related disease surveillance and control. We will emphasise the importance of nutrition as an indicator of poverty across the programme and will encourage more inter-sectoral government programmes with the potential for impact on nutritional status, especially of poor women and children.

Ei6. Education is a key investment priority given poor indicators for literacy and wider education. We will maintain our emphasis on quality and on access for the poor and girls at primary level, helping the Government improve sector management and performance and complementing this with NGO projects which focus on unmet needs of the poor or are a potential source of innovation. We will also encourage the development of a more comprehensive approach for the whole education sector and will consider supporting action to increase opportunities and benefits for poor children at post-primary levels. As a basis for this potential widening of our education programme, we will prepare a new strategy paper for support to education, in consultation with the Government and other stakeholders.

E. FUTURE UK DEVELOPMENT STRATEGY

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E17. We will continue to support effective multi-sector NGO programmes, combining enhancing livelihoods with meeting human development needs and empowering and giving voice to the poor. We will seek to ensure that these become more sustainable, through good management of credit programmes and developing closer links with national programmes for education and health. We will promote enhanced regulation and more sustainable financing of micro-credit and will encourage development of a wider range of financial services or extension of programmes to meet the needs of the extreme poor and those on the margins of poverty. We will also explore further ways of facilitating the expansion of small enterprise, to enable people to graduate out of poverty and provide employment. Strategic issues here include access of small enterprises to finance and to relevant skills and information.

E18. We intend developing a programme, focused on the needs of the poor, in the water supply and sanitation sector. We are already involved in studies of the cause of naturally-occurring arsenic contamination of ground-water, which particularly affects the rural poor, and will consider possible follow-up. We will work with or through agencies with sector experience through co-financing or agency arrangements, especially UNICEF, to learn faster and minimise the workload arising from this new sector.

E19. The majority of the poor will continue to live in rural areas for a long time to come. We will therefore continue to give priority to the livelihoods of the rural poor, enhancing their access to technologies and land and water resources. We will build on the successes of agricultural and fisheries extension and applied research with the Government and NGOs through further projects. Such initiatives will focus on livelihoods for the poor, promote more environmentally sustainable production and seek wider replication of successful initiatives. For the longer term, we will seek to broaden our impact by setting such projects in the context of a better understanding of the overall problems faced by people in rural areas, and by encouraging the Government towards an overall sector-wide approach, including increasing the attention paid to sector policy issues, such as on fertiliser and land.

E20. Current efforts to identify ways of helping tackle urban poverty have identified municipal government as a key constraint, with a shortage of finance, lack of skilled personnel and lack of accountability to the community as key issues. Together with other development partners, we will seek to address this with selected municipalities and NGOs, through a possible Municipal Services Project approach which attempts to build long-term capacity and increased participation, especially by the poor. We will also consider projects through NGOs which more directly support community organisations and efforts to meet immediate development needs.

Theme 2: Sustainable, broad-based and pro-poor growth

E21. An effective government strategy against poverty needs to encourage faster growth and ensure its benefits are well used, as well as tackle poverty directly. Accelerated growth requires further policy and institutional change, for example related to the finance sector, revenue raising and use of budgetary resources, as well as higher and more productive investment in both the public and private sectors. But it is important that growth benefits the poor; faster growth of itself will not be enough.

E22. We will therefore consider projects which promote economic reform or strengthen institutions relevant to the achievement of sustainable, broad-based and pro-poor growth; possible areas might be fiscal management, financial sector reform, privatisation and promotion of investment and trade. We will, alongside other development partners, encourage the Government towards pro-poor budgetary policies, including reducing untargeted subsidies, the haemorrhage of state-owned enterprise losses and the burden of military spending and reallocating resources to purposes more relevant to the poor, such as education, health and rural infrastructure.

E23. We will also, in addition to direct investments in poverty elimination under thematic objective 1, consider infrastructure projects where there is a need for public sector investment and the relevance to poverty reduction can be

E. FUTURE UK DEVELOPMENT STRATEGY

CONTINUED

clearly identified. We will not consider further investment in the gas sector, and are unlikely to invest further in power distribution in Dhaka unless there is much greater demonstrated commitment to reducing corruption and improving accountability and management. We will however consider rural electrification through the better-run Rural Electrification Board and support through technical co-operation for sector reform to reduce the adverse impact of the lack of power on investment and on the poor.

E24. We will limit support to national roads to the current portfolio of continued strengthening of the Roads and Highways Department, replacement of bridges on national roads in the poorer North West and West regions of Bangladesh and part-financing Bhairab Bridge. We will however consider further support to rural roads if needs are not met by others, reflecting the view that local communications are more immediately important to the poor than are national systems.

E25. We will continue to work on sectoral environmental issues, as currently in agriculture, water and fisheries. We will not, however, establish a separate national environmental programme, given the number of donors already working closely with the Government and NGOs on implementing the National Environmental Management Action Plan.

Theme 3: Better governance and more effective institutions

E26. Given that poor governance and weak institutions are such major constraints on reducing poverty, this theme is central to our strategy for supporting development in Bangladesh. We will promote more effective representation of poor people's needs at local and national level. We will support activities which foster parliamentary effectiveness, fair elections, and improve national and local political accountability particularly to the poor. We will investigate working to assist political parties (without prejudice or favour) to develop their internal democratic processes. We will review opportunities to assist local government to respond to local needs, and assess how to work with NGOs and community organisations to strengthen the voice of the

poor. We will assist, normally within broader programmes, organisations in civil society which articulate and lobby for pro-poor policies at national level. By building press effectiveness we will encourage better information and debate on issues related to government. We will also support other organisations, such as representative business groups and research and advocacy organisations, where this will help civil society promote better governance.

E27. Improved governance and institutional development will be central to our development strategy in all sectors, given their importance to achieving a worthwhile and sustainable impact on development. We will promote better governance and performance directly in both the Government and NGOs and will support those trying to strengthen demand for them, particularly from the poor. More centrally, we will continue to support better financial management in government, building on an existing partnership (the Reforms in Budgeting and Expenditure Control Project) and considering other projects in training and audit, thereby assisting the efforts of those within government and outside to improve financial management in the public service and reduce corruption. Similarly we will assist the Ministry of Establishments to improve the relevance and effectiveness of senior management training and will explore other ways of encouraging and supporting any moves towards civil service reform.

E28. At the same time as working with the institutions of government our programme will support civil society to articulate the need for improved governance and pro-poor development policies. This will include support within some broader NGO programmes to efforts to encourage and empower the poor to represent their own interests.

E29. Much assistance under this output will be through small, often opportunistic projects. To enable us to handle this programme we will further develop funding mechanisms which make handling small projects manageable.

E. FUTURE UK DEVELOPMENT STRATEGY

CONTINUED

Theme 4: Improved realisation of human rights

E30. More explicit adoption of a rights approach to development is a new dimension to DFID's work in Bangladesh. We aim to strengthen our understanding of the centrality of human rights to the development challenge. We will develop a capacity to consider the full range of economic, social, cultural, civil and political rights throughout the programme. We will also develop support to organisations which specifically promote and advocate human rights at the local and national level, e.g. on access to land, rights of the child or legal rights and will explore potential to work effectively with the judicial system and police to help improve community level effectiveness, reduce insecurity and safeguard human rights.

Theme 5: Improvements in the position of women in society

E31. Despite improvements in recent years, women remain particularly disadvantaged in Bangladesh, as can be seen in poorer health and education indicators, limited representation in public life and the incidence of human rights abuses. We will therefore give particular attention to improving the position of women in Bangladesh. We will review how effectively we are addressing gender inequalities as an essential part of all our programme, including implementing international guidelines, and will strengthen

our work accordingly. We will continue to support targeted projects, such as in education and credit, which address areas of gender inequality, and will be ready to respond to initiatives to enhance women's empowerment, particularly those related to human rights and violence against women. We will consider giving support to the Government and NGOs striving to implement the Beijing Plan of Action and seeking to enable women to realise their full potential.

Theme 6: Consistency in DFID and broader UK and Bangladeshi Government policies in support of the elimination of poverty in Bangladesh

E32. In considering support to key sectors, we will look for interconnections with wider Bangladeshi and UK Government policies, in particular related to the main themes identified in the White Paper of trade, finance, investment, the environment and governance. We will seek to identify the interests of Bangladesh, and in particular those of the poor, on these issues and try to ensure they are taken into account. We will also link such issues to the aid programme; for example a very recent review has suggested a project to help Bangladesh in the area of trade diversification and trade policy. We will also support efforts to promote strengthening of democratic government, for example by encouraging learning from international democratic experience, and a peaceful approach to conflict, as through proposals on development in the Chittagong Hill Tracts in support of the recent Peace Agreement.

F. IMPLEMENTING THE NEW STRATEGY

F1. It will be a major challenge to increase our programme significantly. Even with possible strengthening and reducing lower priority work, our capacity to take on new sectors will be limited. In continuing sectors we will therefore look to scale up or disseminate worthwhile projects; more readily deploy financial aid alongside technical co-operation; and consider budgetary support related to reform in sectors where effective partnership is possible.

F2. Support for development in Bangladesh will continue to be the responsibility of DFID Bangladesh. The organisational and staffing implications of the new Country Strategy for Bangladesh will be considered in a management review. Some strengthening in both advisory and administrative functions is likely to be needed if the programme set out in this Country Strategy Paper is to be undertaken effectively. The review will consider staffing levels and how effectiveness can best be enhanced, including the balance between a core team with a more strategic role and field management offices with responsibility for detailed project responsibilities. The continued promotion of consistency across all of UK Government relations with Bangladesh through close integration with the rest of the High Commission will also be important.

F3. More substantive and effective partnerships must be based on a good understanding of Bangladeshi society and institutions, which is made difficult by the turnover of UK-based staff. We will develop better induction programmes, for example including stronger encouragement to learn Bangla and spend time in Bangladeshi communities; will undertake training in cross-cultural communication; and will increase the proportion of Bangladeshi staff, especially at higher administrative and professional levels, in our team.

F4. Greater use of Bangladeshis in professional and administrative capacities offers potential benefits of continuity, local knowledge and understanding, contacts and lower costs. We will further pursue recent initiatives to recruit and develop administrative staff. We will also more actively explore the availability of professional expertise; this is likely to necessitate more flexible salary packages than in the past. We shall also continue to make as much use as we can of local consultancy, where the capacity exists of an appropriate standard.

G. PROGRAMME RESOURCES

G1. The support provided to Bangladesh will depend on judgements over time on how effectively assistance is likely to be used. Planning also needs to take into account recent experience whereby projects with the Government have often taken inordinate time to bring forward. The present pipeline and ideas for new initiatives suggest that the case in poverty terms for increasing spending in Bangladesh can at present be backed up with worthwhile programmes.

Planning figures are, therefore, for an increase in resources from £45 million in the current financial year to a potential £65 million in two years' time. We should not however compromise our emphasis on long term poverty elimination and improved governance. Increased resources should be made available in practice only to the extent that effective partnerships can be developed at national, sectoral or institutional level.

PROCESS OF COUNTRY STRATEGY DEVELOPMENT

The Country Strategy Paper (CSP) was developed through a combination of reviews, studies and consultations over an eight month period. The main preparatory studies specifically commissioned included:

- a review of potential strategies for promoting good governance in the interests of poverty elimination. A study was undertaken by the University of Bath and the process culminated in a workshop attended by a range of people from the Bangladeshi Government, NGOs, civil society and academia.
- a review of knowledge, experience and ideas on poverty issues, conducted by the Bangladesh Institute of Development Studies.
- a review of environmental issues by the Bangladesh Centre for Advanced Studies.
- updates of existing sector strategies for land-based natural resources and fisheries.

The process also drew on a range of material produced by other development partners and Bangladeshi institutions. In addition, in health and primary education, there already existed or were being developed national sector programmes as a framework for considering our own future strategy.

A range of consultations were held. These included meetings with:

- senior Bangladeshi Government officials on the main themes of the White Paper and on the analysis and strategy in the draft CSP;
- a few leading NGO figures and a wider seminar with NGOs under the auspices of the Association of Development Agencies in Bangladesh;
- Bangladeshi and UK (in London and Dhaka) business over development priorities for the CSP and opportunities for partnership;
- UK NGOs.

Several UK academics or consultants, with particular interest in Bangladesh, were consulted by correspondence.

These consultations form part of what is intended as ongoing dialogue between DFID Bangladesh and different stakeholders in the interests of better informing DFID Bangladesh and promoting closer collaboration with other stakeholders.

ANNEX 2

COUNTRY PROGRAMME EXPENDITURE PROFILE (BASED ON CURRENT COMMITMENTS AND PLANS)

£ MILLION	1998/99	1999/00	2000/01	2001/02
COMMITMENTS				
Education	4	5	6	6
Population and Health	6	5	1	0
Natural Resources	9	6	3	2
Roads/Bridges	10	5	7	7
Water and Sanitation	0	0	0	0
Energy	6	11	0	0
Small Business/micro-credit	2	1	0	0
Good Government	3	3	3	1
Other	5	4	4	3
SUB-TOTAL	45	40	24	19
OTHER PLANS ¹				
Education	3	5	4	3
Population & Health	7	13	13	13
Natural Resources	1	16	26	29
Roads/Bridges	1	3	4	4
Water & Sanitation		4	7	7
Energy		3	7	7
Small business/micro-credit		5	5	5
Good Government	1	2	2	1
Other		2	5	5
SUB-TOTAL	13	53	73	74
TOTAL PLANS	58	93	97	93
Potential slippage	13	38	32	
TOTAL	45	55	65	

¹ Includes all significant projects under current consideration, along with possible extensions of existing projects, prior to prioritisation in the light of the Country Strategy Paper and available funding. There is no provision for the funding which will be needed for new initiatives where projects have not yet been identified. Hence the overall table illustrates the present balance of the programme rather than targets for the future.